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October 17, 2002

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: **WC Docket No. 02-237; Verizon Telephone Companies Section 63.71  
Application to Discontinue Expanded Interconnection Services  
Through Physical Collocation.**

Dear Ms. Dortch:

In its October 9, 2002 *ex parte* letter, WorldCom gamely tries to explain why it has opposed a Verizon proposal that would save it well over **\*\*begin proprietary\*\*** **\*\*end proprietary\*\*** per year. *See* WorldCom Ex Parte, 2-3 (filed Oct. 9, 2002).<sup>1</sup> Verizon's reply comments demonstrated that customers who have purchased physical collocation under the federal expanded interconnection tariffs would reap substantial savings if the Commission granted Verizon's section 214 application and allowed it to provide supporting services, including DC power, to existing federal collocation arrangements out of the state tariffs and interconnection agreements. WorldCom does not dispute Verizon's calculations or offer any of its own – it simply does not believe that Verizon would do anything that would cause collocators to save money. Its knee-jerk opposition to anything Verizon proposes has backfired this time, but it stubbornly refuses to admit it.

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<sup>1</sup> WorldCom also repeats other arguments that Verizon has already rebutted in its October 3, 2002 reply comments and need not repeat here.

Rather than offer data to dispute Verizon's calculations, WorldCom only offers suspicion. It argues that if Verizon is correct that the charges for DC power in the federal tariff are higher than the charges in the state collocation tariffs, the collocators must be "incompetent arbitrageurs" who have irrationally chosen to purchase from the "wrong" tariff, i.e., the one with the higher rates. To the contrary, they are quite skillful arbitrageurs. For many years, the per-amp rates in the federal tariff have been lower than the per-amp rates in the state tariffs. For this reason, many collocators purchased physical collocation out of the federal tariff despite the fact that the federal tariff often had higher up-front nonrecurring charges for space preparation. This was illustrated in Conversent's *ex parte* letter in CC Docket No. 98-147, where it admitted that collocators chose to purchase collocation from the federal or state tariffs depending on whether they were more concerned about up-front charges or about on-going power charges.<sup>2</sup> After the vast majority of these arrangements were purchased, Verizon revised its state tariffs to apply DC power charges based on the number of "load" amps rather than the number of "fused" amps. As Verizon's Reply Comments demonstrated, this substantially reduced the charges that a collocator could be assessed for DC power in the state tariffs if it restated its power requirements on a load basis. Consequently, if Verizon converted the DC power charges for the commenters' existing federal arrangements to state rates, the average impact is a substantial reduction in the Verizon South states that more than compensates for a smaller increase in the Verizon North states. For this reason, the average collocator would receive substantial net reductions in its costs if Verizon's section 214 application were granted.

WorldCom cannot believe that Verizon would file a tariff that would be an "act of charity" to its customers. Verizon's proposal is not an act of charity, but a sound long-term solution to the arbitrage problem. The rates, terms and conditions for collocation vary from state to state, and they change periodically as each state conducts regulatory proceedings and as Verizon enters into new agreements with the collocators. It has proved impractical for Verizon to attempt to reconcile its federal and state tariffs each time the rates, terms or conditions change in one of the tariffs. Inevitably, customers will be able to play one tariff off against the other depending on which tariff produces the lowest rates for the particular type of arrangement that a customer needs.<sup>3</sup> The only way to resolve this issue for the long term is to provide physical collocation out of a single set of tariffs, and sections 251(c)(6) and 252 of the Act require that this be done through the state tariffs and interconnection agreements. Although Verizon's proposal will cause an initial reduction in its overall revenues, providing physical collocation solely out of the

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<sup>2</sup> *See* Letter from A. Renee Callahan, Attorney for Conversent Communications to Ms. Magalie Roman Salas, Secretary, FCC, CC Docket No. 98-147, at p. 7 (filed Mar. 6, 2001).

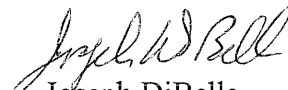
<sup>3</sup> For instance, after Verizon entered into a settlement agreement with the collocators to restructure its state nonrecurring space preparation charges for collocation in the Verizon South states, the nonrecurring charge was lower in the state tariff than in the federal tariff for a small collocation arrangement, but higher for a larger arrangement, because changes to the federal charges were not part of the settlement agreement. *See* Verizon Section 214 Application, fn. 4. A collocator will take this into account in determining its overall costs for space preparation, space rental, DC power, and other supporting services.

state tariffs and interconnection agreements will eliminate problems in the future as regulatory requirements evolve.

In response to the commenters who claimed that their collocation charges would increase by 50 percent or more if the Commission granted Verizon's section 214 application, Verizon demonstrated that each of the commenters would enjoy substantial savings. *See* Verizon Reply Comments, Attachment. Time Warner filed reply comments claiming that Verizon's proposal will cause its costs for DC power to increase by approximately \$73,000 per year, or approximately 52 percent. *See* Time Warner Reply Comments, 4. Attached hereto is a rate impact summary for Time Warner similar to the one that Verizon calculated for the other commenters. It shows that Time Warner's costs would increase by only **\*\*begin proprietary\*\***  
**\*\*end proprietary\*\***. This minor increase is due to the fact that Time Warner only has 15 physical collocation arrangements and **\*\*begin proprietary\*\***

**\*\*end proprietary\*\***. This insignificant change does not detract from the overall public benefit of Verizon's proposal. As is shown Verizon's reply comments, the overall reductions in collocation charges for the commenters alone would be almost \$8 million per year. Clearly, this application is in the collocators' interests, even if they refuse to acknowledge it.

Sincerely



Joseph DiBella

Attachment **REDACTED**